

Message Text

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ORIGIN EA-09

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LAB-04 NSAE-00 NSC-05 PA-02 AID-05 CIEP-02 SS-15

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TO AMEMBASSY TOKYO

INFO USDEL MTN GENEVA

UNCLAS STATE 105116

E.O. 11652:N/A

TAGS: ETRD, JA

SUBJECT: AMB. DENT APRIL 15 INTERVIEW WITH NIHON KEIZAI :
ORIGINAL ENGLISH LANGUAGE TEXT

REF: TOKYO 5575

1. QUOTE: QUESTION: WE CONSIDER THAT THE RECENT DECISION
BY PRESIDENT FORD TO GRANT IMPORT RELIEF TO THE SPECIALTY
STEEL INDUSTRY IS INCOMPATIBLE WITH THE "SPIRIT OF
RAMBOUILLET" AND THE OECD TRADE PLEDGE. WHAT DO YOU THINK
ABOUT THIS INCOMPATIBILITY?

(B) REPLY: THE PRESIDENT'S ACTIONS IN THE CASE OF
SPECIALTY STEELS ARE FULLY COMPATIBLE WITH OUR ADHERENCE TO
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BOTH THE OECD TRADE PLEDGE AND THE "SPIRIT OF RAMBOUILLET."

MY GOVERNMENT'S POSITION IN THE OECD AND AT RAMBOUILLET
REMAINS AS STATED, THAT IT IS URGENTLY INCUMBENT ON ALL

NATIONS TO RESIST RECESSIONARY DOMESTIC ECONOMIC PRESSURES TO TAKE TRADE RESTRICTIVE ACTIONS, EXCEPT IN UNUSUALLY ACUTE SITUATIONS. WE REGARD THE SPECIALTY STEEL CASE AS INVOLVING SUCH A SITUATION.

2. (A) QUESTION: WHEN THE GOVERNMENTS OF MAJOR SPECIALTY STEEL EXPORTING COUNTRIES AGREE TO ENTER INTO NEGOTIATIONS FOR THE ORDERLY MARKETING AGREEMENT (OMA), WOULD YOU CONSIDER MORE GENEROUS CONDITIONS THAN THOSE RECOMMENDED BY THE U.S. INTERNATIONAL TRADE COMMISSION?

(B) REPLY: THE PRESIDENT HAS DIRECTED ME TO SEEK NEGOTIATIONS WITH OUR MAJOR SUPPLIERS OF SPECIALTY STEEL. HE HAS DETERMINED THAT SHOULD THOSE NEGOTIATIONS BE UNSUCCESSFUL, HE WILL IMPOSE QUOTAS AT "OVERALL LEVELS (BUT NOT NECESSARILY THE PRODUCT CATEGORY OR COUNTRY LEVELS) COMPARABLE TO THOSE RECOMMENDED BY THE USITC", WHICH WOULD BE OF A MAXIMUM THREE YEARS IN DURATION, RATHER THAN THE FIVE YEARS RECOMMENDED BY THE USITC. THUS EVEN A UNILATERAL U.S. ACTION, IF NECESSARY, WOULD BE LESS RESTRICTIVE THAN THAT RECOMMENDED.

IN OUR PRESS STATEMENT ON THE DECISION, WE NOTED THE REASONS WHY THE RECOMMENDATIONS OF THE USITC WERE NOT BEING IMPLEMENTED AT THIS TIME:

"THIS REMEDY IS TOO INFLEXIBLE IN VIEW OF THE RAPID EXPANSIONS AND CONTRACTIONS OF THE SPECIALTY STEEL MARKET AND IS NOT WELL SUITED TO THE NEEDS OF THE INDUSTRY DURING RECOVERY FROM A RECESSION PERIOD. THE US GOVERNMENT ALSO DESIRES TO AVOID UNILATERAL RESTRICTIVE ACTION BY TRYING TO RESOLVE SPECIALTY STEEL IMPORT PROBLEMS THROUGH AGREEMENTS WITH THE OTHER MAJOR NATIONS INVOLVED."

CLEARLY, WE ARE NOT IN A POSITION TO STATE PUBLICLY AT THIS TIME WHAT WE WOULD BE WILLING OR UNWILLING TO CON-

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SIDER. TO DO SO WOULD TURN MULTILATERAL NEGOTIATIONS INTO A UNILATERAL ULTIMATUM. WE SEEK MUTUALLY ACCEPTABLE SOLUTIONS THROUGH NEGOTIATIONS WITH OUR TRADING PARTNERS. THE NAME "ORDERLY MARKETING AGREEMENT" SHOULD NOT OBSCURE THE FACT THAT WHILE UNILATERAL ACTION COULD BE TAKEN, THE U.S. HAS DECIDED TO SEEK AN AGREEMENT ACCOMMODATION OF OUR COUNTRY'S INTEREST WITH THOSE OF OUR SUPPLIERS. (SIC)

3. (A) QUESTION: IN PROPOSING OMA NEGOTIATIONS, DO YOU PUT PRIORITY ON U.S. NATIONAL LAW RATHER THAN ON ARTICLE 19 OF THE GATT AGREEMENT?

WHAT IS THE RELATIONSHIP BETWEEN OMA AND ARTICLE 19 OF

GATT?

WOULD YOU PLEASE MAKE CLEAR WHETHER OR NOT YOUR IMPORT RELIEF FOR SPECIALTY STEEL IS BASED ON ARTICLE 19 OF GATT? WE FEAR THAT OMA MAY LEAD TO A DISCRIMINATIVE SAFEGUARD SYSTEM.

(B) REPLY: WE BASE OUR ACTION -- SEEKING OF NEGOTIATED OMAS -- ON IMPLEMENTATION OF SECTION 203 OF OUR TRADE ACT OF 1974, AND ON THE RIGHTS CONFERRED ON GATT CONTRACTING PARTIES UNDER GATT ARTICLE XIX. WE NOTIFIED OUR SUPPLIERS UNDER ARTICLE XIX, AS WELL AS IN ACCORDANCE WITH THE OECD TRADE PLEDGE. THIS CONFERS RIGHTS ON COUNTRIES AFFECTED BY POTENTIAL TRADE MEASURES. ARTICLE XIX CALLS FOR AN AGREED SOLUTION, IF POSSIBLE, IN THE MUTUAL INTEREST OF AFFECTED PARTIES, AND THAT IS WHAT WE ARE SEEKING.

WE ARE ALSO SEEKING, IN THE MTN, TO NEGOTIATE WITH OTHER NATIONS AN IMPROVED INTERNATIONAL SAFEGUARD SYSTEM. OUR TRADE POLICY, AND THUS OUR TRADE NEGOTIATING PROPOSALS, ARE BASED ON THE PRINCIPLE OF NONDISCRIMINATION. WE ARE DEVELOPING A SPECIFIC SAFEGUARD CODE PROPOSAL FOR PRESENTATION IN GENEVA LATER THIS YEAR, AND WE WILL BE CONSULTING WITH OUR TRADING PARTNERS, INCLUDING JAPAN, BEFORE IT IS TABLED.

4 (A) QUESTION: THE PRESIDENT HAS DIRECTED YOUR TRADE UNCLASSIFIED

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OFFICE TO TRY NEGOTIATING SECTOR-BY-SECTOR ON THE PROBLEM OF STEEL TRADE VIA MULTINATIONAL TRADE TALKS.

WHAT IS THE PURPOSE OF YOUR PROPOSING AT THIS TIME SUCH A SECTOR-BY-SECTOR APPROACH FOR STEEL, INCLUDING SPECIALTY STEEL?

WHAT IS THE REASON FOR TREATING STEEL AS A SPECIAL CASE?

(B) REPLY: THE OMAS PROPOSED FOR SPECIALTY STEELS WOULD BE TEMPORARY, NO LONGER THAN THREE YEARS IN DURATION AND POSSIBLY LESS. WE SEEK A PONGER RANGE SOLUTION FOR ALL STEEL PRODUCTS ON A SECTORAL BASIS, BECAUSE OF THE CYCLICAL ECONOMIC PROBLEMS SHARED BY THIS INDUSTRY INTERNATIONALLY. WE HOPE TO NEGOTIATE INTERNATIONALLY AGREED SOLUTIONS TO THESE PROBLEMU IN THE CONTEXT OF SUBSTANTIAL LIBERALIZATION OF WORLD TRADE IN STEEL. A SECTORAL TECHNIQUE IS DESIGNED TO ACHIEVE GREATER LIBERALIZATION IN A PRODUCT CATEGORY THAN WOULD OTHERWISE BE POSSIBLE THROUGH ACROSS-THE-BOARD TARIFF AND NON-TARIFF REDUCTION APPROACHES OF GENERAL APPLICATION TO ALL PRODUCTS.

5. (A) QUESTION: WE ARE WORRIED ABOUT THE POSSIBILITY THAT IMPORT RELIEF MAY BE EXTENDED TO OTHER TRADING ITEMS.

WHAT IS YOUR COMMENT?

TO WHAT EXTENT DO YOU THINK YOUR GOVERNMENT IS ABLE TO CURB PROTECTIONIST MOVEMENT BY THE CONGRESS, INDUSTRY CIRCLES AND LABOR UNIONS?

(B) REPLY: WE ARE REQUIRED BY OUR TRADE ACT TO JUDGE EACH CASE INVOLVING A PETITION FOR RELIEF FROM IMPORT-CAUSED INJURY, OR REDRESS OF ILLEGAL OR UNFAIR FOREIGN TRADE PRACTICES, ON ITS OWN MERIT. WE CANNOT THEREFORE, AUTOMATICALLY DENY RESPONSES TO LEGITIMATE GRIEVANCES WHICH HAVE MET THE TEST OF DOMESTIC LAW AND PROCEDURES. THE LAW WAS CAREFULLY CONSIDERED AND DRAFTED BY THE CONGRESS, AND OUR PROCEDURES ARE EXTENSIVE AND OPEN TO ALL INTERESTED PARTIES.

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AT THE SAME TIME, WE HAVE AN EXTENSIVE INTRAGOVERNMENTAL PROCESS ESTABLISHED TO REVIEW THE POSITIVE FINDINGS IN SUCH CASES FROM THE STANDPOINT OF OVERALL NATIONAL ECONOMIC INTEREST AND OUR INTERNATIONAL OBLIGATIONS. WE CAN, WE DO, AND WE WILL CONTINUE TO WEIGH THE OVERALL EFFECT OF ALL OUR TRADE ACTIONS AGAINST THE BROADER GAUGE OF NATIONAL ECONOMIC AND INTERNATIONAL CONSIDERATIONS.

BOTH OUR CONGRESS AND OUR INDUSTRY GENERALLY HAVE MOVED IN THE DIRECTION OF TRADE EXPANSION. THE UNITED STATES HAS BEEN IN THE FOREFRONT OF NATIONAL EFFORTS TO RESIST RECESSION-RELATED PROTECTIONISM. WE OF COURSE RECOGNIZE THAT THERE ARE INCREASED DOMESTIC PRESSURES FOR TRADE PROTECTION, PARTICULARLY FROM SOME INDUSTRIES AND LABOR GROUPS. THESE INDUSTRIES AND UNIONS, HOWEVER, ARE MORE INTERESTED IN FAIRNESS AND EQUITY IN INTERNATIONAL TRADE THAN THEY ARE IN "PROTECTION."

6. (A) QUESTION: WE FEAR THAT A PROTECTIONIST MOOD IS RISING IN THE UNITED STATES.

DOES YOUR GOVERNMENT HAVE A STRONG INTENTION TO PRESERVE FREE TRADE?

FINALLY, DO YOU TREAT SPECIALTY STEEL AS A REALLY EXCEPTIONAL CASE?

(B) REPLY: ALL NATIONS ARE EXPERIENCING RECESSIONARY DOMESTIC ECONOMIC PRESSURES OF INFLATION AND UNEMPLOYMENT. THE U.S. IS NO EXCEPTION. OUR RECORD OF CONTAINING THESE PRESSURES SPEAKS FOR ITSELF. OF 87 CASES INVOLVING

DOMESTIC PETITIONS FOR RELIEF FROM IMPORT-CAUSED INJURY OR UNFAIR OR ILLEGAL FOREIGN TRADE PRACTICES UNDER INVESTIGATION, IMPORT RESTRICTIONS HAVE BEEN IMPOSED IN ONLY SIX (FIVE COUNTERVAILING DUTIES AND ONE DUMPING PENALTY). OF THE REMAINING 81, 34 HAVE BEEN TERMINATED WITHOUT ACTION, EIGHT ARE UNDER INTERNATIONAL NEGOTIATION AND 39 ARE PENDING FINAL DECISION.

WE NOTE THAT WHEN OTHER DEVELOPED COUNTRIES OR CUSTOMS
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UNIONS HAVE IMPORT PROBLEMS, INCLUDING WITH STEEL, THEY TEND TO SETTLE THEM THROUGH QUIET "GENTLEMEN'S AGREEMENTS" WITH THEIR SUPPLIERS, THE EXISTENCE OF WHICH IS OFFICIALLY DENIED. OUR ANTITRUST LAWS DO NOT SANCTION THIS SOLUTION, NOR DO WE AS A MATTER OF POLICY FAVOR SUCH SOLUTIONS, WHICH TEND TO BE HIGHLY DISCRIMINATORY, AND LASTING.

FURTHER, WHEN OTHER INDUSTRIALIZED COUNTRIES FACE RISING UNEMPLOYMENT, GOVERNMENTS INTERVENE TO SUPPORT LOWER PRICES AND HIGHER EMPLOYMENT RATES, WHILE THE U.S. ADHERES TO A BASIC FREE-MARKET APPROACH WITH ADJUSTMENT ASSISTANCE TO LAID OFF WORKERS. THE ONE APPROACH DISTORTS INTERNATIONAL TRADE; OURS DOES NOT.

MY GOVERNMENT HAS NOT ONLY REPEATEDLY REAFFIRMED ITS STRONG INTENTION TO PRESERVE THE FREEST POSSIBLE INTERNATIONAL TRADE, BUT ALSO HAS BACKED ITS INTENTION IN ITS ACTIONS DOMESTICALLY AND INTERNATIONALLY.

THE SPECIALTY STEEL INDUSTRY IS INDEED AN EXCEPTIONAL CASE. MORE THAN 25 OF ITS WORKERS WERE LAID OFF LAST YEAR, WHILE OTHER PRODUCING COUNTRIES' UNEMPLOYMENT WAS MUCH LOWER. OUR PRODUCTION SUFFERED A 45 CUTBACK, AGAIN MUCH MORE THAN OTHER COUNTRIES. MEANWHILE, IMPORTS ROSE SHARPLY. WE CANNOT ASK OUR TAXPAYERS, WORKERS AND ENTERPRISES TO PAY FOR OTHER GOVERNMENTS' EXPORT OF THEIR RECESSIONARY PROBLEMS, WHILE WE ADJUST TO MARKET FORCES.

THAT IS WHY WE ARE DETERMINED TO NEGOTIATE THROUGH THE MTN MORE EQUITABLE RULES AND PROCEDURES TO DEAL WITH TEMPORARY TRADE PROBLEMS, AS WELL AS LONG-RANGE TRADE LIBERALIZATION AND EXPANSION.

WE ASK THAT OUR PARTNERS JOIN WITH US IN THIS QUEST FOR NEW METHODS OF ASSURING THAT THE BENEFITS OF EXPANDED WORLD COMMERCE CAN BE SHARED FAIRLY BY ALL NATIONS AND ALL PEOPLES. UNQUOTE. SISCO

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